



PHARE *Bulgaria*

1993 INDICATIVE PROGRAMME SUMMARY

EC-Bulgarian Cooperation: New Framework Approved

The Republic of Bulgaria has made substantial progress, since 1990, in establishing an independent market-oriented economy and restoring democratic rights to its population. Both parties agree that PHARE assistance will continue to focus on the provision of well-targeted, transferable expertise which *inter alia* helps mobilise national and foreign resources (including multi-lateral and bilateral aid flows) to achieve sustained reform, economic growth and a stable democracy.



The present Indicative Programme has been drawn up in the light of two important new factors: the signing of the Europe Agreement between Bulgaria and the Community in March 1993, which will henceforth constitute the general framework for Community (including PHARE) assistance on the one hand and the recent approval of the PHARE Guidelines for 1993 - 1997 on the other.

The new Indicative Programme has therefore been prepared taking into account a three-year

programming perspective which will permit a more efficient preparation and appraisal process and will allow taking into account progress in defining and implementing reforms in particular areas. The Indicative Programme as a whole will be subject to a joint annual review by the Government and the Commission. The Indicative Programme contains no pre-determined allocations to specific activities: the appropriate level of commitment will be decided in the light of an appraisal of particular needs, absorptive capacities and related priorities.

Past PHARE activities

197 million ECU have been committed on economic programmes in support of the process of transformation since 1990. In addition Bulgaria has received humanitarian and emergency aid (including food, medical and energy supplies) amounting to approximately 20 million ECU between 1990 and 1992. Bulgaria also received 11.5 million ECU from the regional component of the PHARE budget to upgrade the safety of the Kozloduy nuclear power plant. Over this period, PHARE support has been made available to address emergency needs related to the on-going transformation of the economy (notably in the form of supply programmes as well as humanitarian aid) and to address most of the major economic and structural changes which needed to be made. The type of assistance provided therefore varied from supply programmes (mainly in the fields of agriculture and health) to technical assistance, training and financial facilities (in the agriculture and SME sectors).

In 1990 assistance covered agriculture, the environment and health, mainly in the form of supply programmes. In 1991 and 1992 economic assistance covered a much larger range of sectors. In 1991 the five following sectors together received about 88% of PHARE assistance: agriculture, enterprise development and restructuring, environment, finance and energy. In 1992 the main sectors were enterprise development and restructuring, energy, health, agriculture and human resources development.

About 41% of all commitments made from 1990 onwards have been contracted for. Both the Government and the Commission agree on the need to speed up disbursement rates.

Medium-Term Outlook

The Government has carefully considered the expected contribution of PHARE to its reform programme and accordingly decided that PHARE assistance over the medium term should focus on the following broad strategic areas:

- Private sector development;
- Human resources, employment and social policy development;
- Infrastructure; and
- Institutional reform.

PHARE Assistance: '93 to '94

PRIVATE SECTOR DEVELOPMENT

Enterprise Development: a "privatisation financing" mechanism under preparation will provide financial instruments linking the long term horizon implied by the nature of the privatisation process to the immediate objective of transferring ownership rights to private investors. PHARE will support the establishment of this mechanism by providing the required technical assistance as well as some seed capital that will be later complemented by other sources of external finance.

Management training: in order to provide adequate management training in the long term in Bulgaria, it has been agreed that a new business school should be operational from 1995. PHARE will support the preparatory phase, firstly ensuring the training of business teachers in 94 and 95. Possible support for the establishment of the future business school will be assessed at a later stage.

Tourism: PHARE has supported the preparation of privatisation in the tourism sector. Given the potential of this sector in the Bulgarian economy and its possible contribution to generate foreign revenue and to promote employment, priority should be given to its restructuring. PHARE assistance in 1993 will therefore concentrate on management and manpower development training, tourism product development and promotion and institutional strengthening.

Financial sector development: deficiencies in the financial infrastructure of Bulgaria remain one of the main bottlenecks to the reform process. Its development is closely linked to the emergence of the private sector. Continued assistance is therefore needed in this area and will cover assistance to

restructure banks and to develop the state treasury. In addition, support will be provided by PHARE for the computerisation of the customs service - a step necessary to improve the collection of revenues while also ensuring a proper implementation of the VAT system.

HUMAN RESOURCES, EMPLOYMENT AND SOCIAL POLICY

Human resources: PHARE will work in close liaison with the World Bank to support the reform of the Bulgarian education system. Future areas of PHARE assistance (to start in 1994) could, in this context, focus on the reform of the legislative basis for education, on the institutional support to administration, on decentralisation and on the establishment of a vocational training structure. Further participation in TEMPUS is also foreseen and should be considered, in future, mostly in relation to the fundamental policy tasks that will be implemented in the sector.

Health: PHARE will provide support for the reform of the health system. This involves implementing a health insurance system, promoting the development of human resources and preparing a framework for the exercise of private medical care. The assistance scheme is being designed in close collaboration with the World Bank (which is currently preparing a health sector investment support loan).

Labour Market and Social Policy: building on work carried out with the World Bank (notably the preparation of an investment loan for an employment and social protection project), future PHARE assistance will help develop measures to combat poverty and long-term unemployment on the one hand and to strengthen the institutional development required in the areas of employment and social welfare on the other. Preparatory work will accordingly be carried out in 1993 and a programme of assistance will be prepared for commitment in 1994.

INFRASTRUCTURE

PHARE-supported programmes that will contain an investment component in the terms agreed to during the recent European Council Meeting in Copenhagen are currently being prepared. Meanwhile more "traditional" forms of technical assistance will continue, particularly to support policy formulation and institutional strengthening.

Energy: Programmes designed to encourage energy efficiency are now being designed. They will complement a World Bank loan that will be made available as soon as agreed policy conditions, notably concerning electricity prices, are put into effect. Investment aid could also be made available -from

1994 in the context of a joint EIB/EBRD co-financed project at Maritza East Power Station.

Telecommunications: emphasis will shift from supporting the telecommunications environment to the postal services, while technical assistance for legislative and regulatory measures will continue. In this context, PHARE assistance will mainly consist of studies, training, equipment and support to investment projects.

Environment: past PHARE assistance helped reform the relevant framework (institutional strengthening and policy formulation support) and helped set up an environmental monitoring system. Additional support is still needed in these areas, particularly to reinforce the legislative and regulatory framework.

Transport: PHARE assistance will help design a sector policy and reinforce the relevant institutions. Progress here will facilitate future investments in the sector. In addition, some forms of technical assistance will be made available to help improve cross-border links and to generate some improvements in road traffic.

INSTITUTIONAL REFORM

Public administration reform: a range of measures are foreseen to reform public administrations. Building on experience obtained with the regional SIGMA programme, support will be given to the areas of legislative drafting, staff training and reform of the civil service. In a subsequent phase, PHARE assistance would cover the reform of central government departments.

Statistics: building on work undertaken through the PHARE Regional Statistics Programme, support will be provided with the help of Eurostat for the modernisation of the statistical information system in Bulgaria. This will greatly contribute to the quality and reliability of statistical data, which is essential to sensible decision-making in both the public and private sectors.

Europe Agreement: technical assistance is required to help Bulgaria fulfil its obligations under the Europe Agreement. PHARE will probably provide a mix of technical assistance, legal advice, training, general education in EC matters, and a variety of promotional activities.

Aid Coordination: the Unit in charge of Aid Coordination needs to be strengthened. Advice, training as well as the needed equipment will be provided through PHARE. The Government will complement this assistance by undertaking to adopt the required institutional and budgetary decisions in the near future.

1993 Funding

To support the priorities identified above, the Commission has allocated 90 million ECU to Bulgaria under the 1993 PHARE programme.

The **PHARE** Information Office can help you !
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